(c) the measures being taken to check the flights of capital through under invoicing of imports and over invoicing of exports to US?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (c) The Government is aware of the study made by Dr. John S. Zdenowicz, and two others in Florida International University of U.S.A., which is an update of their earlier analysis made in 1994. According to their study estimated capital outflows from India during 1994 range from $ 5893.5 million to $ 411.5 million, and during 1995 from $ 5584.3 million to $ 610.9 million, which have been arrived at by comparing India's import and export prices from and to the United States to average and adjusted average US-world import and export prices. The present study also uses a global price matrix to select average prices for all commodities traded between the US and India and the average prices for all commodities traded between the US and the world.

The study has used only US generated data on imports from and exports to India and compares the same with either India's US import/export prices or with US-world import/export prices. Such a method is not free from pitfalls for the purpose of estimating capital flight, since pricing of commodities in international trade depends on a variety of factors (including differences in quality and specifications) and applying averages in such circumstances can lead to highly erroneous conclusions.

While the study has concluded that there was capital outflow due to under-invoicing of exports and over-invoicing of imports, the Customs authorities have also detected cases of under-invoicing of imports and over-invoicing of exports. The general belief is that imports are under-invoiced to evade high rates of import duty thereon and exports are over-invoiced in order to garner larger benefits under export incentive schemes. The Government has computerised Customs operations in major Custom Houses. One of the objectives of the computerisation of Custom Houses is to create a data-base to enable verification of declared values. The investigation and intelligence has also been strengthened to tackle cases of misdeclaration of value.

[English]

Jute Packaging Material

*9. PROF. JITENDRA NATH DAS :
DR. ASIM BALA :

Will the Minister of TEXTILES be pleased to state

(a) whether the Government are aware of the large scale violation of the Jute Packaging Materials Act; 1987 by certain industries;

(b) if so, the details thereof and the number of cases registered against such industries for violation of the aforesaid Act during the last three years;

(c) the action taken by the Government against those industries; and

(d) the steps taken for strict compliance of the Act?

THE MINISTER OF TEXTILES (SHRI R.L. JALAPPA) : (a) and (b) Government are aware that the cement industry in particular has continued to violate the provisions of the Jute Packaging Materials Act 1987 on various pretexts. The fertiliser (urea) industry also disobeyed provisions of this Act to a large extent till September/October 1996. However, most of them have lately started abiding by the statutory Reservation Order for urea packaging. The following statement shows usage of Jute Packaging Materials by cement and fertiliser (urea) sectors *vis-a-vis* calculated requirement in terms of the Statutory Reservation Order from 1993-94 to 1996-97 (upto Oct. 96):

April/March	Production of Cement by large plants (Mn.M.T.)	Requirement of Jute bags for full compliance of mandatory order (000 M.T.)	Actual off take of jute bags (000 M.T.)	Extent of default in terms of percentage
1	2	3	4	5
1. CEMENT				
1993-94	54.1	340.7	9.2	97.3
1994-95	58.4	367.8	1.0	99.7
1995-96	64.2	288.9	0.3	99.9
1996-97 (upto Oct.)	39.3	176.8	0.0	100.0
II. FERTILISER (Urea)				
1993-94	13.15	118.4	80.2	32.3
1994-95	14.13	127.1	85.5	32.7
1995-96	15.79	71.1	56.2	20.9
1996-97 (Upto Oct.)	8.61	38.7	18.9	51.2

Notes : (1) Requirement of jute bags for both cement and urea has been worked out as per mandatory percentage of use of jute bags on the basis of:
(i) Cement Bags of 450 gms of 50 kg capacity taken into account.
(ii) Urea : 450 gms. of D.W.T. cloth per bag.

No cases could be registered against any of the defaulting units for violation of the aforesaid Act so far due mainly to fact that matter was *subjudice* in the Supreme Court.

(c) to (d) Instructions have been sent to all urea manufacturing units informing them about the decision of the Central Government about the extension of the Validity period of the Reservation Order beyond 30.6.96 from time to time with advice to comply with the said Orders on pain of penal action. In response to these letters most of them have assured to use jute bags upto specified percentage during the October 1996 quarter and thereafter as required under Law. Monthly returns being received from them during the recent months reveal an encouraging improvement in the utilisation of jute bags.

All cement and urea manufacturing units in the country have been advised to submit monthly returns in prescribed format within the prescribed time schedule without fail on a regular basis with a view to monitoring closely the progress of utilisation of jute bags *vis-a-vis* the statutory reservation Order.

Show-cause notices have been issued to several cement and urea companies who have been found to be continuously violating the Reservation Order. While the urea units have assured full compliance cement units have pointed out certain legal and practical problems preventing them from complying with this Order. The considered opinion of the Ministry of Law has been sought by us in regard to the future course of action to be taken on the basis of the replies to the show-cause notices received from defaulting the cement units. Government will be taking a view on these very soon.

Wholesale and Consumer Price Index

*10. SHRI MANIKRAO HODLYA GAVIT :
SHRI PARASRAM BHARDWAJ :

Will the Minister or FINANCE be pleased to state:

(a) the weekly rate of Wholesale Price Index and Consumer Price Index of essential commodities during the last six months;

(b) the weekly rate of inflation on point-to-point basis during the above period;

(c) the reasons for the continuous increase in the WPI, CPI and the rate of inflation; and

(d) the steps taken by the Government to check the prices of essential commodities and to contain the inflation rate?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b) The Wholesale Price Index Numbers (WPI) are constructed on weekly basis while Consumer Price Index Numbers for industrial workers (CPI-IW) are constructed on monthly basis. The two indices in respect of essential commodities together with their corresponding annual rates of inflation for the last six months are listed below :

Week end /Month	Price Index Number for Essential Commodities		Annual Rate of Inflation (%) (All commodities)	
	WPI (Base 1981-82=100)	CPI - IW (1982=100)	WPI	CPI - IW
1	2	3	4	5
03.08.1996	318.9		6.0	
10.08.1996	320.5		6.1	
17.08.1996	320.8		6.2	
24.08.1996	322.8		6.2	
31.08.1996	323.8	339	6.3	8.9
07.09.1996	325.6		6.4	
14.09.1996	327.2		6.4	
21.09.1996	329.1		6.6	
28.09.1996	328.2	342	6.4	8.5
05.10.1996	329.3		6.5	
12.10.1996	330.0		6.5	
19.10.1996	330.7		6.4	
26.10.1996	331.0	343	6.8	8.5